

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1993 – SB 2126

March 7, 2016

SUMMARY OF ORIGINAL BILL: Authorizes the Department of Transportation (TDOT) to publish a directory of signs denoting Tennessee-owned historic sites on the Department's website.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (012999): Deletes all language of the original bill. Requires the Department of Transportation (TDOT) to award any contract for administration of special service signs to the vendor whose proposal offers the least cost to the retail user of the signs, rather than the best value for the state. Requires all administrative contracts to be awarded on an objective and competitive basis pursuant to the Department of Transportation (TDOT) promulgating the rules for such action.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – \$875,300/FY22-23/Highway Fund
\$1,750,600/FY23-24 and Subsequent Years/Highway Fund

Assumptions for the bill as amended:

- Tenn. Code. Ann. § 54-5-1103(c) requires any contracts for performing administrative services to be awarded to the contractor whose proposal offers the best value for the state rather than the least cost to the retailer user of the signs.
- This legislation requires TDOT to award any contract for administration of special service signs to the vendor whose proposal offers the least cost to the retail user of the signs, rather than the best value for the state.
- As a result, any contracts for administration of special service signs that TDOT enters into after the passage of the amended bill are expected to result in a recurring decrease in state revenue to the Highway Fund.

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- TDOT's current contract for administration of special service signs, offering best value for the state, will end on December 31, 2022. TDOT will not terminate this contract early.
- According to TDOT, the Department receives 80 percent of the contractor's gross revenue and the payments are received quarterly. First payment will be due on April 30, 2016.
- Based on the information provided by TDOT, retail businesses pay \$1,150 per year except for businesses in metropolitan planning organizations that pay \$1,600 in annual fees to participate in the Tennessee Logo Sign Program. Such fees will increase by three percent each year under the current contract.
- Based on the information provided by TDOT, the estimated revenue for the Department under the current contract (best value for the state model) is approximately \$17,700,000 at the end of seven years, for an average of approximately \$2,528,571 per year (\$17,700,000 / 7 years).
- Under the previous least cost to the retail user model, retail businesses paid an annual participation fee of \$527, and the Department received approximately \$778,000 per year.
- Assuming TDOT enters into a new contract effective January 1, 2023, that will offer the least cost to the retail user of the signs under the provisions of this bill and under similar terms as provided under the previous least cost to the retail user model, the recurring decrease in state revenue to the Highway Fund is estimated to be \$1,750,571 (\$2,528,571 best value model - \$778,000 least cost model). The first year decrease (occurring in FY22-23) will equal 50 percent of the first full-year decrease, or \$875,286 (\$1,750,571 x 50%).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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